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TAGS: [EAID](#) [EFIN](#) [PREL](#) [PGOV](#) [NP](#)
SUBJECT: MINISTRY OF FINANCE CALLS ON DONORS TO SUPPORT
PEACE PROCESS

REF: USUN 2155

Classified By: Ambassador James F. Moriarty. Reasons 1.4 (b/d).

SUMMARY

11. (U) On November 14 at the Ministry of Finance's (MOF) bimonthly donors meeting, Finance Minister Mahat requested an increase/realignment of foreign aid to support the peace process. Minister Mahat and Finance Secretary Vidyadhar Mallik outlined four specific areas in need of international support: camps for Maoist combatants, rehabilitation of internally displaced people, civil administration (including policing), and the Constituent Assembly election process. Mahat thanked donors for their support for the peace process and called on them to identify specifically where they would help. Several European donors, including Sweden, the UK, and the EU, agreed with the MOF's proposal to realign some of their current assistance to address more immediate needs. Ian Martin, the UN Secretary General's Personal Representative to Nepal, reminded the donors that the UN's role in the peace process was limited to the five specific areas in which the Government of Nepal and the Maoists asked for UN assistance in August, including monitoring the arms management process. End Summary.

FOUR FOCAL AREAS FOR FOREIGN ASSISTANCE

12. (U) At the Ministry of Finance's (MOF) bimonthly donors meeting on November 14, Finance Minister Ram Sharan Mahat and Finance Secretary Vidyadhar Mallik outlined the Government of Nepal's (GON) four priority areas for international support to the peace process: camps for Maoist combatants, internally displaced persons (IDPs), civil administration (including policing), and the Constituent Assembly election process. Mahat said the MOF had carved out support for all four areas in its own budget, but the GON budget still fell far short of the amounts required to make the peace process work.

CANTONMENTS ARE FIRST PRIORITY

13. (U) Minister Mahat said the first priority was material and infrastructure support for the 28 camps in which the Maoists combatants are to be cantoned. While several European donors noted the need for education and work programs to prevent trouble in the camps and to begin rehabilitating the combatants, Mahat claimed the camp inhabitants could themselves take on much of the construction work necessary to make the camps livable. In addition, he noted that the 40,000 to 50,000 IDPs would also require similar education and rehabilitation efforts.

POLICING ALSO A PRIORITY

14. (U) The UK and Sweden congratulated the Ministry of Finance for making policing a priority for the first time. Mallik stated that 1,100 to 1,200 police posts were evacuated during the conflict and would require quick reconstruction. He also noted that the GON planned to give the civilian police more responsibility for internal security, such as providing security during the June 2007 planned Constituent Assembly elections, while streamlining the Nepali Army's domestic responsibilities.

ELECTION COMMISSION NEEDS HELP

15. (U) Newly appointed Chief Election Commissioner Bhoj Raj Pokhrel said the Election Commission was firmly committed to holding a free, fair and impartial Constituent Assembly election. To succeed, Pokhrel said, coordination and support from donors would be essential. He listed civic education, registration of IDPs, and logistical support as a few of the

key areas in which the Election Commission would require international help. Pokhrel also announced that the Election Commission would hold a preliminary coordination meeting with donors on November 17. The European Union expressed concern that the November 8 GON-Maoist peace agreement had designated the UN as the main monitoring body for the election. The EU stated that it usually provided such support directly to the nation in need. Mahat clarified that the UN would serve as an umbrella organization overseeing direct bilateral support for the election. He implied that the EU would still have sufficient freedom of action.

NEW INSTITUTIONAL STRUCTURE TO SUPPORT THE PEACE PROCESS

16. (U) Secretary Mallik diagrammed the MOF's proposed changes to the institutional structure of the GON, meant to improve coordination and oversight of the peace process. The new plan called for an Executive Committee that would oversee budget needs and aid coordination, under the direction of a new Special Committee of Cabinet Ministers. This committee would direct a new Project Office in the Ministry of Home Affairs to allocate support to seven unit offices at each of the main cantonment camp sites. Mallik said an executive order from the Cabinet providing the new Special Committee the necessary flexibility to coordinate aid and distribute funding to the camp and district level was critical.

MAOIST INPUT AWAITED

17. (U) In reviewing future priorities for foreign aid and proposed institutional changes, Mahat stated that the MOF first "needed to know what the Maoists wanted from us" (the GON). Without Maoist input, Mahat said the GON could not solidify these proposed focal areas and restructuring plans.

LIMITED UN ROLE

18. (U) Ian Martin, the UN Secretary General's Personal Representative to Nepal, said the UN role in the process would be restricted to the five specific areas in which the

Maoists and GON requested assistance in separate, identical letters to the UN Secretary General in August 2006. He said the GON-Maoist November 8 agreement had opened the door for the tripartite team of UN, GON, and Maoist representatives to begin their work on arms management. He provided an update on the team's visits to the proposed camp sites, noting that of the three examined, two were approved and one, Kavre, was under further consideration. Martin said the UN would provide 24-hour monitoring of the seven divisional sites, with each site team responsible for inspecting the surrounding brigade sites.

GON AND MAOISTS RESPONSIBLE FOR THE CAMPS

¶9. (C) Martin stressed that the GON and the Maoists had the responsibility of managing the camps, not the UN. He said the Maoists were preparing a list of their needs for the GON and that all further planning would be guided by that list. He also said that he viewed the current cantonment date, November 21, as unrealistic, considering that the tripartite team was still looking at the seven sites and arrangements for registering combatants and weapons had not yet begun. He said he expected the UN Member States to make the arrangements necessary soon to send a full UN monitoring team. (Note: USUN reports that a Security Council is likely to act quickly once it receives a formal request for assistance from the GON (reftel). End Note.) He noted that Nepal Army participation in future discussions would be critical.

ISSUES IN NEED OF ATTENTION

¶10. (U) Martin also highlighted five areas that need immediate attention: a timeline for reintegration of the People's Liberation Army, early demobilization and reintegration provisions for disabled persons and children in the camps, an interim cabinet declaration on the future of the Nepal Army, a definition of the needs of the Election Commission, and a clearer idea of how human rights monitoring would continue. He also praised the MOF for making policing, particularly related to the elections, a priority.

ESTIMATED NEEDS

¶11. (C) After assessing the GON's ability to support the peace process, Mahat outlined the estimated funding gaps in the four areas of need. He said the Ministry of Finance expected the GON would need approximately USD 20 million for the camps, USD 15 million for IDP rehabilitation, USD 20-25 million for civil administration (particularly for the civil police), and USD 20 million for elections. Altogether, the Ministry of Finance estimated that the GON would require USD 75 to 80 million in international aid to fund the peace process.

COMMENT

¶12. (C) We welcome the MOF's initiative, especially their efforts to make restoration of the civil police a top priority. For the peace process to begin allaying the fears of the Nepali people, a massive rehabilitation of the police force is necessary. However, Mahat made it very clear that the GON would allow the Maoists the chance to veto GON decisions regarding new foreign assistance priorities and structures, and that the Ministry could not commit to its decisions until the Maoists were consulted. This approach could greatly slow down and impede the peace process, opening the door for the Maoists to realign GON priorities towards their own political agenda, rather than the needs of the people of Nepal.

¶13. (C) While Ian Martin's team already has a monitoring role in the peace process, it is essential that a UN Security Council Resolution in the near future spell out its mandate

and provide the UN here with sufficient arms monitors to begin to reassure the Nepali public. Provisions regarding the cease-fire, human rights monitoring, and the upcoming Constituent Assembly election will ultimately need to be addressed by the UN. To be effective, the resolution needs to make it clear to the Maoists that the authority of the UN and the international community stands behind effective monitoring and enforcement of Nepal's fragile peace.

MORIARTY